

COUNCIL/ADMINISTRATIVE POLICY

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1. PURPOSE

The purpose of this policy is to establish guidelines for budget development, administration, and management as well as outline the City's fiscal policies in regard to user fee cost recovery goals and capital financing and debt management.

2. POLICY

2.1 BUDGET DEVELOPMENT

2.1.1 Operating Budget Objectives

- 2.1.1.1 The budget will adhere to the Council Goals and Objectives. Through its Financial Plan, the City will link resources with results by:
- 2.1.1.2 Identifying community needs for essential services.
- 2.1.1.3 Organizing the programs required to provide these essential services.
- 2.1.1.4 Establishing program policies and goals, which define the nature and level of program services required.
- 2.1.1.5 Identifying activities performed in delivering program services.
- 2.1.1.6 Proposing objectives for improving the delivery of program services.
- 2.1.1.7 Evaluating the availability of a sustainable revenue source to fund programs.
- 2.1.1.8 Appropriating the resources required to perform program activities and accomplish program objectives.
- 2.1.1.9 Setting standards to measure and evaluate the:
 - 2.1.1.9.1 Output of program activities
 - 2.1.1.9.2 Accomplishment of program objectives
 - 2.1.1.9.3 Expenditure of program appropriations

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2.2 Objectives for Funding Public Improvements in Existing Developments, Neighborhoods and Subdivisions

2.2.1 City funding for new or improved public improvements in existing developments, neighborhoods and subdivisions shall be the financial responsibility of the adjacent or benefiting parcels. If the aforementioned improvements are desired by the property owners, then they shall enter into a financing mechanism, such as assessment or benefit district that will cover the full costs of the improvements to repay the City its full soft and hard costs in a timeframe that is acceptable to the City.

2.3 Two-Year Budget

2.3.1 The City Council shall adopt a two-year budget for the ensuing fiscal year no later than June 30 of each year.

2.3.2 The first year of the two-year budget, the City Council will consider the recommended budget for the two-year period at a duly noticed public meeting. A copy of the budget will be made available at the third floor of City Hall and the City's website.

2.3.3 The second year of the two-year budget, the City Council will consider changes being recommended for the second year of the two-year budget at a duly noticed public meeting.

2.3.4 The City Council will adopt a resolution appropriating and approving the budget for the two fiscal years.

Benefits identified using a two-year financial plan:

2.3.4.1 Reinforcing the importance of long-range planning for managing the City's fiscal affairs.

2.3.4.2 Concentrating on developing and budgeting for the accomplishment of significant objectives.

2.3.4.3 Establishing realistic timeframes for achieving objectives.

2.3.4.4 Creating a pro-active budget that provides for stable operations and assures the City's long-term fiscal health.

2.3.4.5 Promoting more orderly spending patterns.

2.3.4.6 Reducing the amount of time and resources allocated to preparing annual budgets.

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2.4 **Measurable Objectives**

The two-year financial plan will establish measurable program objectives and allow reasonable time to accomplish those objectives.

2.5 **Second Year Budget**

Before the beginning of the second year of the two-year cycle, the Council will review progress during the first year and amend appropriations for the second fiscal year.

2.6 **Operating Carryover**

Operating program appropriations supported by a Purchase or Encumbrance Order, including Capital Equipment, may be carried over from one budget year to the next with the approval of the Director of Administrative Services.

2.6.1 **Department Expenditures**

2.6.1.1 The legal level of budgetary control is established at the fund level, and adopted on a basis consistent with accounting principles generally accepted in the United States of America.

2.6.1.2 All budget transfers require the approval of the Director of Administrative Services or designee except those affecting personnel which must be approved by the City Manager.

2.6.1.3 Budget transfers required to hire additional permanent personnel require the City Council's approval.

2.7 **Goal Status Reports**

The status of major program objectives will be formally reported to the City Council on an ongoing consistent basis.

2.8 **Mid-Year Budget Reviews**

The Council will formally review the City's fiscal condition, and amend appropriations if necessary, six months after the beginning of each year.

2.9 **Components of Fund Balance**

Pursuant to Government Accounting Standards Board (GASB) 54, the components of Fund Balance are defined as follows:

2.9.1 **Nonspendable Fund Balance (inherently nonspendable)**

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2.9.1.1 Portion of net resources that cannot be spent because of their form (e.g. prepaid items and long term receivables).

2.9.1.2 Portion of net resources that cannot be spent because they must legally or contractually remain intact (e.g. permanent funds).

2.9.2 Restricted Fund Balance (externally enforceable limitations on use)

2.9.2.1 Limitations imposed by creditors, grantors, contributors or laws and regulations of other government agencies.

2.9.2.2 Limitations imposed by law through constitutional provisions or enabling legislation.

2.9.3 Committed Fund Balance (self-imposed limitations set in place prior to the end of the period)

2.9.3.1 Limitations imposed by the City Council requiring formal action at the same level to remove.

2.9.4 Assigned Fund Balance (limitation resulting from intended use)

2.9.4.1 Intended use of funds for a specific purpose established by the City Council or City Manager.

2.9.4.2 Appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.

2.9.5 Unassigned Fund Balance (residual net resources)

2.9.5.1 Total fund balance in the general fund in excess of non-spendable, restricted, committed, and assigned fund balance (i.e. surplus).

2.9.5.2 Excess of nonspendable, restricted, and committed fund balance over total fund balance (i.e., deficit).

2.10 **Balanced Budget**

The City will maintain a balanced budget over the two-year period of the Financial Plan. This means that:

2.10.1 Each fiscal year, current revenues must meet or exceed operating

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expenditures, including debt service.

2.10.2 The City will strive to maintain 30% of the annual appropriations in the General Fund's Unassigned Fund Balance.

2.10.3 The City will strive to have cash reserves in the Enterprise Funds at an optimal level of 30%.

2.11 **Capital Improvement Program (CIP) Budget**

Pursuant to Government Code Section 66002(b), which requires that a Capital Improvement Plan (CIP) be adopted at a noticed public hearing, the City Council will annually conduct a public hearing to consider the CIP Budget for adoption of the Plan and the associated budget for the first fiscal year expenditures and revenues. Notice of the hearing shall be given pursuant to Government Code Section 65090. A copy of the budget will be made available at the third floor in the lobby of City Hall and on the City's website.

3. **FINANCIAL REPORTING AND BUDGET ADMINISTRATION**

3.1 **Annual Reporting**

The City will prepare annual financial statements as follows:

3.1.1 The City will contract for an annual audit by a qualified independent certified public accountant. The City will strive for an unqualified auditors' opinion.

3.1.1.1 Statement on Auditing Standards (SAS) No. 99 (Consideration of Fraud) provides guidance to auditors conducting an audit of an entity and specifically helps the auditors to determine if fraud exists in an organization. SAS No. 114 (Auditor's Communication with those Charged with Governance) provides guidelines on communication between the Auditors and those charged with governance. In order to facilitate communication of any matters the auditors feel are significant, the auditing firm will be required to meet annually with the Mayor and Vice Mayor. If the Mayor or Vice Mayor are unavailable, within the required time frame for the meeting, the CIP/Operating Budgets Ad-Hoc Committee will determine the Council member that will meet with the Auditors.

3.1.2 The City will use Generally Accepted Accounting Principles (GAAP) in

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preparing its annual financial statements, and will strive to meet the requirements of GFOA's Award for Excellence in Financial Reporting program.

- 3.1.3 The City will issue audited financial statements within 180 days after year-end.

3.2 **Interim Reporting**

The City will prepare and issue timely interim reports on the City's fiscal status to the Council and staff. This includes:

- 3.2.1 On-line access to the City's financial management system;
- 3.2.2 At a minimum, notification of quarterly revenue and expenditure reports being updated on the website will be sent to the City Council, City Manager and Department Directors;
- 3.2.3 Mid-year budget reviews; and
- 3.2.4 Status report during budget review process.

3.3 **Budget Administration**

- 3.3.1 The City Council may, by majority vote, amend or supplement the budget at any time after its adoption. The City Manager and/or Director of Administrative Services has the authority to make administrative adjustments to appropriations as long as there is no funding source incompatibility and provided those changes do not increase overall appropriations or will not have an effect on year-end fund balances except as noted below in this section and section 7.1.1 of this policy.
- 3.3.2 The City Manager and/or Director of Administrative Services have the authority to make adjustments to Capital Improvement Project funding sources as long as the total commitment to the project does not change. Notification shall be made to Council of funding sources changes.
- 3.3.3 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments associated with Council approved Debt Issuance.
- 3.3.4 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments for depreciation. Generally accepted accounting principles (GAAP) require, in most cases, that capital assets be depreciated. Depreciation is the systematic and rational

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allocation of the historical cost of a capital asset over its estimated useful life. During the fiscal year, the movement of capital assets from one fund to another, the acquisition of capital assets, or a change in the useful life will change the depreciation amount within a fund.

- 3.3.5 The City Manager and/or Director of Administrative Services can make budget adjustments of up to one dollar to account for rounding.
- 3.3.6 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments for write-offs made in accordance with Section 5.8, Uncollectible Receivables, of this Policy.
- 3.3.7 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments associated with Other Post Employment Benefit (OPEB) liability accruals where there is no resulting cash impact in any individual fund. Transfers and/or expenditures of cash resources for OPEB purposes shall be incorporated in the City's operating budget and budget adjustments for these purposes shall continue to be governed by the restrictions set forth in the Policy.
- 3.3.8 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments to allow for the transfer of investment income earned for the funds identified below:

Transfer To/From Fund Name

Highway Users Tax Funds
 All Capital Project Funds
 Emergency Preparedness
 Pension/OPEB Obligation Fund
 Special Assessment Districts Bond
 SB1186 Disability Access

Transfer To /From Fund Name

General Fund
 Project Funding Source
 General Fund
 General Fund
 Developer Fees
 General Fund

- 3.3.9 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments for developer credits relating to City Council approved development agreements and neither the adjustment nor the existing budget may be utilized for any other line item within the adopted budget.
- 3.3.10 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments associated with mandatory legislative expenditures.
- 3.3.11 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments associated with investment expenses related to Council approved investment management

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agreements of the City's funds.

3.3.12 The City Manager and/or Director of Administrative Services have the authority to make budget adjustments associated with payments for repairs when the City will receive reimbursement through an insurance claim.

3.3.13 When requesting an amendment to the budget, the fiscal impact must include the following information:

3.3.13.1 The total cost of the amendment and basis for the cost estimate.

3.3.13.2 Whether the cost is "one-time" or recurring.

3.3.13.3 Whether or not funds may be transferred from another source and if so, what effect the transfer would have on that source.

3.3.13.4 Whether or not the purchase or contract will later require additional resources and if so, how much and describe/outline how it will be funded.

3.3.13.5 A summary of any revenue offsets that are expected due to the amendment and when they will be received.

3.3.13.6 Whether there will be a future reduction of costs and if so, how long it will take to recover the initial cost.

4. BUDGET MANAGEMENT

4.1 Diversified and Stable Base

The City will seek to maintain a diversified and stable revenue based to protect it from short-term fluctuations in any one revenue source.

4.2 Long-Range Focus

The City Council will emphasize and facilitate long-range financial planning through the development of a two-year budget, a five-year capital improvement plan and a ten year general fund fiscal model.

4.3 Interfund Transfers and Loans

In order to achieve important public policy goals, the City has established various special revenue, capital project, debt service and enterprise funds to account for

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revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue source, expenditures and fund equity.

Any transfers between funds for operating purposes are clearly set forth in the budget. These operating transfers, under which financial resources are transferred from one fund to another, are distinctly different from interfund borrowings, which are usually made for temporary cash flow reasons, and are not intended to result in a transfer of financial resources. In summary, interfund transfers result in a change in fund equity; interfund borrowings do not, as the intent is to repay the loan in the near term.

From time-to-time, interfund borrowings may be appropriate; however, these are subject to the following criteria in ensuring that the fiduciary purpose of the fund is met:

- 4.3.1 The Director of Administrative Services is authorized to approve temporary interfund borrowings for cash flow purposes. The most common use of interfund borrowing under this circumstance is for grant programs where costs are incurred before drawdowns are initiated and received. However, receipt of funds is typically received shortly after the request for funds has been made.
- 4.3.2 Any other interfund borrowings for cash flow or other purposes require case-by-case approval by the City Council.
- 4.3.3 Any transfers between funds where reimbursement is not expected within one fiscal year shall not be recorded as interfund borrowings; they shall be recorded as interfund operating transfers that affect equity by moving financial resources from one fund to another.

5. **USER FEE COST RECOVERY GOALS**

5.1 **Ongoing Review**

Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as change in methods or levels of service delivery.

5.2 **User Fee and Utility Rates Cost Recovery**

It is the intent of the City to collect user fees and/or utility rates for services provided to the public, where applicable.

5.3 **Annual Review**

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All fees and rates will be reviewed and updated annually to ensure that they keep pace with the cost of providing service.

Annually, the City Council will consider the updated Cost Allocation Plan and Schedule of City Fees to be adopted at a noticed public hearing. A copy of the Cost Allocation Plan and Schedule of City Fees will be made available at the third floor in the lobby of City Hall and on the City's website.

5.4 Development Fees Review Program

The following cost-recovery policies apply to the development fees review program. Services provided under this category include:

- 5.4.1 Planning (planned development permits, tentative tract and parcel maps, re-zonings, general plan amendments, variances, use permits, etc.).
- 5.4.2 Engineering (public improvement plan checks, inspections, subdivision requirements encroachments, etc.).
- 5.4.3 Cost recovery for these services should generally be very high. In most instances, the City's cost recovery goal should be 100%. Exceptions to this standard include appeals, where the fee is set very low to provide adequate opportunity for due process.
- 5.4.4 The City will clearly establish and articulate standards for reviewing developer applications to ensure that there is "value for cost."

5.5 Other User Fees

- 5.5.1 City Clerk (Agenda mailings, Public Record Requests, Municipal & Zoning Code Supplements, Manuals and other documents, certifications, etc.)
- 5.5.2 Police (DUI recovery costs, fingerprinting, arrest report copies, etc.)
- 5.5.3 Other (Graffiti removal, U.S. Passport services, copying costs, cost for documents published by the City, costs for damaged property, or other costs reasonably anticipated to be covered by user fees).

5.6 Utility Fees and Rates

Water, Solid Waste and Sewer Enterprises: The City will set utility fees and rates at levels which fully cover the total direct and indirect costs, including operations, capital outlay, capital replacement and debt service.

5.7 Parks and Recreation Programs and Facility Rentals

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The following cost recovery policies apply to the City's recreation programs. The Director of Parks and Recreation approves recreation programs based upon cost recovery goals throughout the year.

For purposes of this section of the policy, the following four definitions apply:

Resident – an individual whose primary residence is within the City limits of Brentwood.

Non-resident – an individual whose primary residence is outside the City limits of Brentwood.

Commercial – when use of the facility is for profit or sale with the proceeds to benefit an individual or organization.

Non-profit – when use of the facility is by a non-profit organization as determined by the Internal Revenue Service and/or State of California with at least 75% of its membership made up of Brentwood residents, and the purpose of the use is to raise funds for community, charitable, or education projects within Brentwood or that benefit Brentwood residents.

5.7.1 Cost recovery - Recreation Programs:

- 5.7.1.1 Cost recovery for youth programs – Brentwood residents, direct cost plus 10% of Department overhead.
- 5.7.1.2 Cost recovery for adult programs – Brentwood residents, direct cost plus 75% of Department overhead.
- 5.7.1.3 All programs that are above the recommended cost recovery rate will continue a goal of 100% cost recovery.
- 5.7.1.4 Non-resident Aquatic and City run youth sports program fees are set 10% above the resident fee.
- 5.7.1.5 All non-resident rates excluding section 5.7.1.4 above are set at a 100% cost recovery rate.
- 5.7.1.6 Programs that do not have a non-resident rate:
 - Recreation swim
 - Lap swim
 - Contracted on-line computer courses
 - Fees set by an outside agency

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- City programs funded through the Business License Grant Program
- City programs for active adults 50+
- Cosponsored City / Liberty Union High School District Adult Education programs
- Teen Programs

5.7.1.7 Free programs:

- Concerts in the Park
- Play day
- Christmas tree lighting
- Park and facility grand openings
- Movies in the park

5.7.2 The following categories describe how rates are set for facility rentals (excluding group picnic facility rentals):

5.7.2.1 Resident – this category is the base price used for a facility and is set based on the market price for like facilities.

5.7.2.2 Non-Resident – the price for non-residents is 10% above the resident rate.

5.7.2.3 Commercial – the price for commercial use is 30% above the resident rate and is intended to recover most if not all costs as the event is usually intended to be a profit making endeavor.

5.7.2.4 Non-profit – the price for non-profits is 30% below the resident rate as the purpose is to allow use by local non-profits who normally use facilities to raise money to go back into the community.

5.7.3 The following categories describe how rates are set for group picnic facility rentals:

5.7.3.1 Resident – this category is the base price used for group picnic facility rentals and is set based on the market price for like rentals.

5.7.3.2 Non-Resident – the price for non-residents is 30% above the resident rate and is intended to recover most if not all costs.

5.7.3.3 Commercial – the price for commercial use is 30% above the resident rate and is intended to recover most if not all costs as the

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event is usually intended to be a profit making endeavor.

- 5.7.3.4 Non-profit – the price for non-profits is 30% below the resident rate as the purpose is to allow use by local non-profits who normally use facilities to raise money to go back into the community.

5.8 Uncollectible Receivables

It is the intent of the City to reflect the value of its receivables and ensure that resources are used efficiently and not devoted to recovery of uncollectible receivables. The timely identification of losses is an essential element in appropriately measuring the value of the City's assets. The write-off process is a critical component in valuing receivables. The City Manager and/or Director of Administrative Services have the authority to write-off uncollectible receivables not to exceed \$5,000 per transaction. Any uncollectible account exceeding \$5,000 per transaction will require the City Council's approval.

5.9 Minimum Refund Threshold for Overpayments

It is the intent of the City to ensure that resources are used efficiently. The cost to process a refund check exceeds \$25.00. Therefore, refunds of overpayment shall not be issued for amounts less than \$25.00.

6. APPROPRIATIONS LIMITATION

- 6.1 The City Council will annually adopt a resolution establishing the City's appropriations limit calculated in accordance with Article XIII B of the Constitution of the State of California, Section 7900 of the State of California Government Code, and any other voter approved amendments or state legislation that affect the City's appropriations limit.
- 6.2 The supporting documentation used in calculating the City's appropriations limit and projected appropriations subject to the limit will be available for public and City Council review at least 10 days before consideration of a resolution to adopt an appropriations limit. The City Council will generally consider this resolution in connection with final approval of the budget.
- 6.3 The City will strive to develop revenue sources, both new and existing, which are considered non-tax proceeds in calculating its appropriations subject to limitation.
- 6.4 The City will annually review user fees and charges and report to the City Council the amount of program subsidy, if any, that is being provided by the General or Enterprise Funds.

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- 6.5 The City will actively support legislation or initiatives sponsored or approved by League of California Cities which would modify Article XIII B of the Constitution in a manner which would allow the City to retain projected tax revenues resulting from growth in the local economy for use as determined by the City Council.
- 6.6 The City shall seek a vote of the public to amend its appropriation limit at such time that tax proceeds are in excess of allowable limits.

7. FUND BALANCE, RESERVES AND INTERNAL SERVICE FUNDS

7.1 Minimum Fund Balances/Reserves

The City will strive to maintain 30% of annual operating expenses, which include operating transfers and amounts pursuant to Section 2.6, in the General Fund's unassigned Fund Balance and cash reserves in the Enterprise Funds at an optimal level of 30%. This is considered the minimum level necessary to maintain the City's credit worthiness and to adequately provide for contingencies for unseen operating or capital needs or cash flow requirements.

- 7.1.1 At the close of each fiscal year, General Fund savings over and above the minimum Fund Balance required in Section 7.1 of this policy will be transferred to the Pension/Other Post-Employment Benefits (OPEB) Obligation Internal Service Fund.

7.2 Pension/Other Post-Employment Benefits Obligation Internal Service Fund

The Pension/OPEB Obligation Fund is an intermediate term funding source to be used to help offset the rising cost of other post-employment benefits (OPEB) as a part of a long-term pre-funding strategy of retiree medical benefits. In addition, this fund shall be used to help offset the rising costs of pension expenses and paying the unfunded liability on a cost reimbursement basis. Interest earnings may be credited to the source fund of contributions.

7.3 Equipment Replacement

For assets, the city will establish and maintain an Equipment Replacement Fund to provide for the timely replacement of vehicles and capital equipment with an individual replacement cost of \$10,000 or more or as determined by the Director of Administrative Services. The annual contribution to this fund will generally be based on the annual use allowance which is determined based on the estimated life of the vehicle or equipment and its original purchase cost. Interest earnings and sales of surplus equipment will be credited to the Equipment Replacement Fund.

7.4 Information Systems Replacement

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The City will maintain an Information Systems Replacement Fund to provide for the timely replacement of items such as, servers, computers, printers, phones, faxes, scanners, and digital cameras. The annual contribution to this fund will generally be based on the annual use allowance which is determined based on the estimated life of the equipment and its original purchase cost. Interest earnings and sales of surplus equipment will be credited to the Information Systems Replacement Fund.

7.5 **Facilities Replacement**

The City will maintain a Facility Replacement Fund to provide a funding source for repair of existing facilities. The annual contribution to this fund will generally be based on square footage. Interest earnings will be credited to the Facilities Replacement Fund.

7.6 **Emergency Preparedness Fund**

The City will maintain an Emergency Preparedness Fund to enable the City to be financially prepared to respond to a critical incident, catastrophic event or for one-time purchases of equipment to enhance public safety as determined by the City Manager or his/her designee. The City is self insured for earthquake coverage. In order to help fund the General Fund portion of the cost that the Federal Emergency Management Agency (FEMA) and the State Office of Emergency Services (OES) would not reimburse in the case of an earthquake, approximately \$100,000 per fiscal year will be contributed to this fund if needed, as determined by the Director of Administrative Services, to ensure sufficient funds are available. This fund will be maintained at a level consistent with estimated needs for General Fund overtime, rent for office space, supplies and services in the case of an emergency. Interest earnings will be credited to the General Fund.

7.7 **Tuition Fund**

The City will maintain a Tuition Fund to provide a funding source for employees to continue their education in order to either maintain or improve knowledge, skills and professional growth in their current position. Interest earnings will be credited to the Tuition Fund.

7.8 **Insurance Fund**

The City will maintain an Insurance Fund to provide a funding source for future insurance costs. The Liability and Worker's Compensation Insurance savings associated with having unfilled positions or better rates are included in this fund. These savings may be used to pay unforeseen expenses due to legal matters or lawsuits. Departments are also charged for Property and Liability Insurance which

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funds the payments made to our insurance authority. Interest earnings will be credited to the Insurance Fund.

7.9 Facilities Maintenance Services Fund

The City will maintain a Facilities Maintenance Services Fund to provide for the custodial and maintenance needs of the City's buildings. The annual contribution for this fund will generally be based on square footage. Interest earnings will be credited to the Facilities Maintenance Services Fund.

7.10 Fleet Maintenance Service Fund

The City will maintain a Fleet Maintenance Service Fund to provide for the on-going maintenance of all City vehicles and equipment, other than Police. The annual contribution for this fund will generally be based on type of vehicle or equipment. Interest earnings will be credited to the Fleet Maintenance Service Fund.

7.11 Information Services Fund

The City will maintain an Information Services Fund to provide for the development and coordination of the City's information Systems' needs. The annual contribution for this fund will generally be based on type of information systems equipment. Interest earnings will be credited to the Information Services Fund.

7.12 Parks and LLD Replacement Fund

The City will maintain a Parks and Lighting and Landscape Districts (LLD) Replacement Fund to provide for the accumulation of funds and associated expenditures related to landscaping, equipment and facilities in the Citywide Parks and Lighting and Landscape Districts. The annual contribution for this fund will be based on the City Council adopted annual engineers report. Interest earnings will be credited to the Parks and LLD Replacement Fund.

8. CAPITAL IMPROVEMENT MANAGEMENT

8.1 CIP Projects - \$10,000 or More

Construction projects and equipment purchases which cost \$10,000 or more will be included in the Capital Improvement Plan (CIP); minor capital outlays of less than \$10,000 will be included with the operating program budgets.

8.2 CIP Purpose

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The purpose of the CIP is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. The CIP is a five-year plan organized into the same functional groupings used for the operating programs. The CIP will reflect a balance between capital replacement projects which repair, replace or enhance existing facilities, equipment or infrastructure; and capital facility projects which significantly expand or add to the City's existing fixed assets.

8.3 **Project Manager**

Every CIP project will have a project Manager who will prepare the project proposal, ensure that required phases are completed on schedule, authorize all project expenditures, ensure that all regulations and laws are observed, and periodically report project status.

8.4 **CIP Executive Committee**

Made up of the City Manager, Director of Public Works/City Engineer and the Director of Administrative Services, this Committee will review project proposals, determine project phasing, recommend project managers, review and evaluate the draft CIP budget document, and report CIP project progress on an ongoing basis.

8.5 **CIP Phases**

The CIP will emphasize project planning, with projects progressing through at least two and up to ten of the following phases:

8.5.1 **Designate** Appropriates funds based on projects designated for funding by the Council through adoption of the Financial Plan.

8.5.2 **Study** Concept design, site selection, feasibility analysis, schematic design, environmental determination, property appraisals, scheduling, grant application, grant approval, specification preparation for equipment purchases.

8.5.3 **Environmental and development review** EIR preparation, other environmental studies, and development review processing as required by the municipal code and state law.

8.5.4 **Real property acquisitions** Property acquisition for projects, if necessary.

8.5.5 **Site preparation** Demolition, hazardous materials abatements, other pre-construction work.

8.5.6 **Design** Final design, plan and specification preparation, and construction

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cost estimation.

8.5.7 Construction Construction contracts.

8.5.8 Construction management Contract project management and inspection, soils and material tests, other support services during construction.

8.5.9 Equipment acquisitions Vehicles, heavy machinery, computers, office furnishings, other equipment items acquired and installed independently from construction contracts.

8.5.10 Debt service Installment payments of principal and interest for completed projected funded through debt financings. Expenditures for this project phase are included in the Debt Service section of the Financial Plan and Operating Budget.

Generally, it will become more difficult for a project to move from one phase to the next. As such, more projects will be studied than will be designed, and more projects will be designed than will be constructed or purchased during the term of the CIP.

8.6 CIP Appropriation

The City's annual CIP appropriation for study, design, acquisition and/or construction is based on the projects designated by the Council through adoption of the budget. Adoption of the budget CIP appropriation does not automatically authorize funding for specific project phases. This authorization generally occurs only after the preceding project phase has been completed and approved by the Council and costs for the succeeding phases have been fully developed.

Accordingly, project appropriations are generally made when contracts are awarded. If project costs at the time of bid award are less than the budgeted amount, the balance will be inappropriate and returned to fund balance or allocated to another project. If project costs at the time of bid award are greater than budget amounts, five basic options are available:

8.6.1 Eliminate the project.

8.6.2 Defer the project for consideration to the next Financial Plan period.

8.6.3 Rescope or change the phasing of the project to meet the existing budget.

8.6.4 Transfer funding from another specified, lower priority project.

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8.6.5 Appropriate additional resources as necessary from fund balance.

8.7 Program Objectives

Project phases will be listed as objectives in the program narratives of the programs, which manage the projects.

9. CAPITAL FINANCING AND DEBT MANAGEMENT

9.1 Capital Financing

9.1.1 The City will consider the use of debt financing only for one-time capital improvement projects and only under the following circumstances.

9.1.1.1 When the project's useful life will exceed the term of the financing.

9.1.1.2 When project revenues or specific resources will be sufficient to service the long-term debt.

9.1.2 Debt financing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The issuance of short-term instruments such as revenue, tax, or bond anticipation notes is excluded from this limitation. (See Council/Administrative Policy No. 10-4, Investment Policy).

9.1.3 Capital improvements will be financed primarily through user fees, service charges, assessments, special taxes, or developer agreements when benefits can be specifically attributed to users of the facility. Accordingly, development impact fees should be created and implemented at levels sufficient to ensure that new development pays its fair share of the cost of constructing necessary community facilities.

9.1.4 Transportation impact fees are a major funding source in financing transportation system improvements. However, revenues from these fees are subject to significant fluctuation based on the rate of new development. Accordingly, the following guidelines will be followed in designing and building projects funded with transportation impact fees:

9.1.4.1 The availability of transportation impact fees in funding a specific project will be analyzed on a case-by-case basis as plans and specification or contract awards are submitted for Council approval.

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9.1.4.2 If adequate funds are not available at that time, the Council will make one of two determinations:

9.1.4.2.1 Defer the project until funds are available.

9.1.4.2.2 Based on the high-priority of the project, advance funds from the General Fund, which will be reimbursed as soon as funds become available. Repayment of General Fund advances will be the first use of transportation impact fee funds when they become available.

9.1.5 The City will use the following criteria to evaluate pay-as-you-go versus long-term financing in funding capital improvements:

9.1.5.1 Factors Favoring Pay-As-You Go Financing

9.1.5.1.1 Current revenues and adequate fund balances are available or project phasing can be accomplished.

9.1.5.1.2 Existing debt levels adversely affect the City's credit rating.

9.1.5.1.3 Market conditions are unstable or present difficulties in marketing.

9.1.5.2 Factors Favoring Long Term Financing

9.1.5.2.1 Revenues available for debt service are deemed to be sufficient and reliable so that long-term financings can be marketed with investment grade credit ratings.

9.1.5.2.2 The project securing the financing is of the type which will support an investment grade credit rating or the bonds are a suitable no rated credit in the case of land secured financings.

9.1.5.2.3 Market conditions present favorable interest rates and demand for City financing.

9.1.5.2.4 A project is mandated by state or federal requirements, and resources are insufficient or unavailable.

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9.1.5.2.5 The project is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable.

9.1.6 Debt Management

9.1.6.1 The City will not obligate the General Fund to secure long-term financings except when marketability can be significantly enhanced.

9.1.6.2 An internal feasibility analysis will be prepared for each long-term financing which analyzes the impact on current and future budgets for debt service and operations. This analysis will also address the reliability of revenues to support debt service.

9.1.6.3 The City will conduct financings on a competitive basis for revenue and general fund debt obligations. Negotiated financings will be used when there is market volatility, the bonds are non rated, or the financing entails the use of complex security or structure.

9.1.6.4 The City will seek a rating on any direct debt and will seek credit enhancements such as letters of credit or bond insurance when it will improve marketing and is cost effective.

9.1.6.5 The City will monitor all forms of debt annually coincident with the City's Financial Plan preparation and review process and report concerns and remedies, if needed, to the Council.

9.1.6.6 The City will diligently monitor its compliance with bond covenants and ensure its adherence to federal arbitrage regulations.

9.1.6.7 The City will maintain good, ongoing communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus (Official Statement).

9.1.7 Post Debt Issuance Tax Compliance Procedures for Tax-Exempt and Direct Pay Subsidy Bonds

9.1.7.1 The purpose of these Post-Issuance Tax Compliance Procedures is to establish policies and procedures in connection with tax-exempt bonds and direct pay subsidy

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bonds (e.g. “build America bonds” or similar programs) (“Bonds”) issued by or on behalf of the Brentwood Infrastructure Financing Authority (the “Authority”) or the City of Brentwood (the “City” and, collectively with the Authority, the “Issuer”) so as to ensure that the Issuer complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or direct pay subsidy status of the Bonds.

9.1.7.2 Ultimate responsibility for all matters relating to Issuer financings and refinancing rests with the Treasurer/Controller of the Authority and the Director of Administrative Services of the City (collectively, the “Responsible Officer”).

9.1.7.3 External Advisors and Documentation

9.1.7.3.1 The Responsible Officer and other appropriate Issuer personnel shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented via Issuer resolutions(s), Tax Certificate(s) and/or other documents finalized at or before issuance of the Bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds.

9.1.7.3.2 The Responsible Officer and other appropriate Issuer personnel also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of Bond-financed assets and future contracts with respect to the use of output or throughput of Bond-financed assets.

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9.1.7.3.3 Whenever necessary or appropriate, the Issuer shall engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds.

9.1.7.4 Role of the Issuer as Bond Issuer

9.1.7.4.1 Unless otherwise provided by Issuer resolutions, unexpended Bond proceeds shall be held by the Issuer, and the investment of Bond proceeds shall be managed by the Responsible Officer. The Responsible Officer shall maintain records and shall prepare regular, periodic statements to the Issuer regarding the investments and transactions involving Bond proceeds.

9.1.7.4.2 If an Issuer resolution provides for Bond proceeds to be administered by a trustee, the trustee shall provide regular, periodic (monthly) statements regarding the investments and transactions involving Bond proceeds.

9.1.7.5 Arbitrage Rebate and Yield Requirements: (Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to an issue of Bonds)

9.1.7.5.1 The Issuer shall engage the services of a Rebate Service Provider, and the Issuer or the Bond trustee shall deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider on a prompt basis.

9.1.7.5.2 Upon request, the Responsible Officer and other appropriate Issuer personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider.

9.1.7.5.3. The Responsible Officer and other appropriate Issuer personnel shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue

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date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed.

9.1.7.5.4 During the construction period of each capital project financed in whole or in part by Bonds, the Responsible Officer and other appropriate Issuer personnel shall monitor the investment and expenditure of Bond proceeds and shall consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 month, as applicable, following the issue date of the Bonds.

9.1.7.5.5 The Issuer shall retain copies of all arbitrage reports and trustee statements as described below under "Record Keeping Requirements".

9.1.7.6 Use of Bond Proceeds. The Responsible Officer and other appropriate Issuer personnel shall:

9.1.7.6.1 Monitor the use of Bond proceeds, the use of Bond-financed assets (e.g., facilities, furnishings or equipment) and the use of output or throughput of Bond-financed assets throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and restrictions set forth in applicable Issuer resolutions and Tax Certificates.

9.1.7.6.2 Maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds.

9.1.7.6.3 Consult with Bond Counsel and other professional expert advisers in the review of any contracts or arrangements involving use of Bond-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable Issuer resolutions and Tax Certificates.

9.1.7.6.4 Maintain records for any contracts or arrangements involving the use of Bond-financed facilities as might be necessary or appropriate to

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document compliance with all covenants and restrictions set forth in applicable Issuer resolutions and Tax Certificates.

- 9.1.7.6.5 Meet at least annually with personnel responsible for Bond-financed assets to identify and discuss any existing or planned use of Bond-financed, assets or output or throughput of Bond-financed assets, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable Issuer resolutions and Tax Certificates.

- 9.1.7.7 Record Keeping Requirements. Unless otherwise specified in applicable Issuer resolutions or Tax Certificates, the Issuer shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- 9.1.7.7.1 A copy of the Bond closing transcript(s) and other relevant documentation delivered to the Issuer at or in connection with closing of the issue of Bonds.
- 9.1.7.7.2 A copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds.
- 9.1.7.7.3 A copy of all contracts and arrangements involving private use of Bond-financed assets or for the private use of output or throughput of Bond-financed assets.
- 9.1.7.7.4 Copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

9.1.8 Debt Capacity

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9.1.8.1 General purpose debt capacity The City will carefully monitor its levels of general purpose debt. Because our general purpose debt capacity is limited, it is important that the City only use general purpose debt financing for high-priority projects where the City cannot reasonably use other financing methods: funds borrowed for a project today are not available to fund other projects tomorrow; and funds committed for debt repayment today are not available to fund operations in the future.

9.1.8.2 Enterprise fund debt capacity The City will set enterprise fund rates at levels needed to fully cover debt service requirements as well as operations, maintenance, administration and capital improvement costs. The ability to afford new debt for enterprise operations will be evaluated as an integral part of the City's rate review and setting process.

9.1.9 Land-Based Financings

9.1.9.1 Public purpose There will be a clearly articulated public purpose in forming an assessment or special tax district in financing public infrastructure improvements including why this form of financing is preferred over other funding options such as impact fees, reimbursement agreements or direct developer responsibility for improvements.

9.1.9.2 Active Role Even though land-based financings may be a limited obligation of the City, we will play an active role in managing the district. This means that the City will select and retain the financing team, including the financial advisor, bond counsel, trustee, appraiser, disclosure counsel, assessment engineer, bond insurer, LOC provider and underwriter as necessary. Any costs incurred by the City in retaining these services will be the responsibility of the property owners or developer, and will be advanced via a deposit or will be paid on a contingency fee basis from the proceeds from the bonds.

9.1.9.3 Credit Quality When a district is requested by a developer, the City will carefully evaluate the applicant's financial plan and ability to carry the project, including the payment of assessments and special taxes during build-out. This may include detailed background, credit and lender checks, and the preparation of independent appraisal reports and market absorption studies.

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- 9.1.9.4 Reserve fund A reserve fund should be established in the lesser amount of: the maximum annual debt service; 125% of the annual average debt service; or 10% of the bond proceeds.
- 9.1.9.5 Value-to-debt-ratios The minimum value of the property in the district, within the public improvements, should be at least three times the amount of the assessment or special tax debt.
- 9.1.9.6 Capitalized interest during construction Decisions to capitalize interest will be made on a case-by-case basis, with the intent to fund interest in cases where the payment cannot be posted to the tax roll for that tax year.
- 9.1.9.7 Maximum burden Annual assessments (or special taxes in the case of Mello-Roos or similar districts) should generally not exceed 1% of the sales price of the property; and total property taxes, special assessments and special tax payments collected on the tax roll should generally not exceed 2%.
- 9.1.9.8 Benefit apportionment Assessments and special taxes will be apportioned according to a formula that is clear, understandable, equitable and reasonably related to the benefit received by – or burden attributed to – each parcel with respect to its financed improvement.
- 9.1.9.9 Special tax district administration In the case of Mello-Roos or similar special tax districts, the total maximum annual tax should not exceed 110% of annual debt service. The rate and method of apportionment should include a back-up tax in the event of significant changes from the initial development plan, and should include procedures for prepayments.
- 9.1.9.10 Foreclosure covenants In administration of the district, the City shall structure foreclosure covenants in such a way as to insure the delinquency data is available from the county or the administrator prior to having to commence foreclosure proceedings.
- 9.1.9.11 Disclosure to bondholders In general, each property owner who accounts for more than 25% of the annual debt service or bonded indebtedness must provide ongoing disclosure information annually as described under SEC Rule 15(c)-12.

9.1.10 Conduit Financings

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9.1.10.1 The City will consider requests for conduit financing on a case-by-case basis using the following criteria:

9.1.10.1.1 The City's bond counsel will review the terms of the financing, and render an opinion that there will be no liability to the City in issuing the bonds on behalf of the applicant.

9.1.10.1.2 There is a clearly articulated public purpose in providing the conduit financing.

9.1.10.1.3 The applicant is capable of achieving this public purpose.

9.1.10.2 This means that the review of requests for conduit financing will generally be a two-step process: first asking the Council if they are interested in considering the request, and establishing the ground rules for evaluating it; and then returning with the results of this evaluation, and recommending approval of appropriate financing documents if warranted. This two-step approach ensures that the issues are clear for both the City and applicant, and that key policy questions are answered.

9.1.10.3 The work scope necessary to address these issues will vary from request to request, and will have to be determined on a case-by-case basis. Additionally, the City should generally be fully reimbursed for our costs in evaluating the request; however, this should also be determined on a case-by-case basis.

10. HUMAN RESOURCE MANAGEMENT

10.1 Regular Staffing

10.1.1 The budget will fully appropriate the resources needed for authorized regular staffing and will limit programs to the regular staffing authorized.

10.1.2 Regular employees will be the core work force and the preferred means-of staffing of ongoing, year-round program activities that should be performed by full-time City employees rather than independent contractors. The City will strive to provide competitive compensation and benefit schedules for its authorized regular work force. Each regular employee will:

10.1.2.1 Fill an authorized regular position.

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10.1.2.2 Be assigned to an appropriate bargaining unit, or otherwise designated with at-will status.

10.1.2.3 Receive salary and benefits consistent with labor agreements or other compensation plans.

10.1.3 To manage the growth of the regular work force and overall staffing costs, the City will follow these procedures:

10.1.3.1 The City Council will authorize all regular positions.

10.1.3.2 Adjustments to employee allocations will only be made in conjunction with the first or second year of the two-year budget process unless authorized by the Director of Administrative Services.

10.1.3.3 The Human Resources Division will coordinate and oversee the hiring of all regular and temporary employees.

10.1.3.4 All requests for additional regular positions will include evaluations of:

10.1.3.4.1 The necessity, term and expected results of the proposed activity.

10.1.3.4.2 Staffing and materials costs including salary, benefits, equipment, uniform, clerical support and facilities.

10.1.3.4.3 The ability of private industry to provide the proposed service.

10.1.3.4.4 Additional revenues or cost savings, which may be realized.

10.1.3.4.5 The availability of a sustainable revenue source to fund the additional personnel costs.

10.1.4 Periodically, and before any request for additional regular positions, programs will be evaluated to determine if they can be accomplished with fewer regular employees.

10.2 **Police Sworn Position Overstaffing**

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- 10.2.1 Police sworn position staffing gaps will be evaluated on an as needed basis and budgeted for in order to appropriate the resources needed to minimize the loss of sworn personnel available for service. The total maximum number of authorized sworn overstaffing positions are four.
- 10.2.2 Police sworn overstaffing positions will not be used to increase authorized regular sworn staffing levels. Overstaffing will be utilized as a tool to fill regular sworn positions when there is an expectation that the regular position will become, or is already, vacant due to retirement, medical leave, or other extended absences.
- 10.2.3 When it has been determined by the City Manager or Police Chief that police sworn overstaffing positions are required to mitigate an officer that is, or is soon to be, unavailable for service, the City Manager shall authorize the use of these positions in consultation with the Director of Administrative Services and Chief of Police prior to doing so. City Council will be notified via email or other appropriate means when overstaffing has been authorized, but prior to commencing the recruitment process.
- 10.2.4 The Police Chief will provide periodic updates to the City Council on available versus authorized sworn staffing levels via email or other means as appropriate.

10.3 **Limited Service**

- 10.3.1 The hiring of limited service employees will not be used as an incremental method for expanding the City's regular work force.
- 10.3.2 Limited service positions include all employees other than regular employees, elected officials, and volunteers. Limited service positions will generally augment regular City staffing as hourly, temporary, limited part-time, intermittent, student, intern, emergency, and seasonal positions.
- 10.3.3 The City Manager and Department Directors will encourage the use of limited service rather than regular employees to meet peak workload requirements, fill interim vacancies, and accomplish tasks where less than full-time, year-round staffing is required. Under this guideline, limited service employee hours will generally not exceed 50% of a regular, full-time position (1,000 hours per fiscal year). There may be limited circumstances where the use of limited service employees on an ongoing basis in excess of this target may be appropriate due to unique programming or staffing requirements. However, any such exceptions must be approved by the City Manager.

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- 10.3.4 Limited term employees are defined as limited service employees with time specific offer letters approved by the City Manager who may receive approved benefits depending on hourly requirements and the length of their employment. Limited term employees will generally be used for medium-term (generally between six months and two years) projects, programs or activities requiring specialized or augmented levels of staffing for a specific period. The services of limited term employees will be discontinued upon completion of the assigned project, program or activity. Accordingly, limited term employees will not be used for services that are anticipated to be delivered on an ongoing basis.